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Evans, William S.

The Chamberlain
argument against...

[New York]

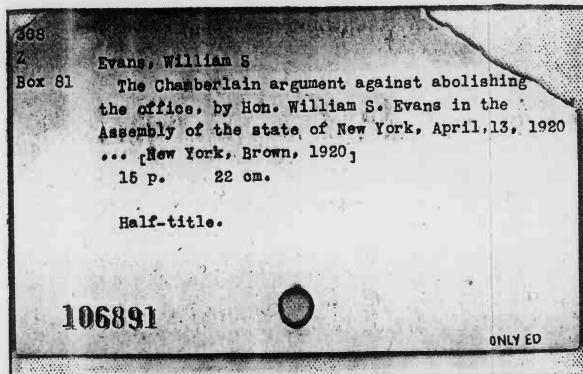
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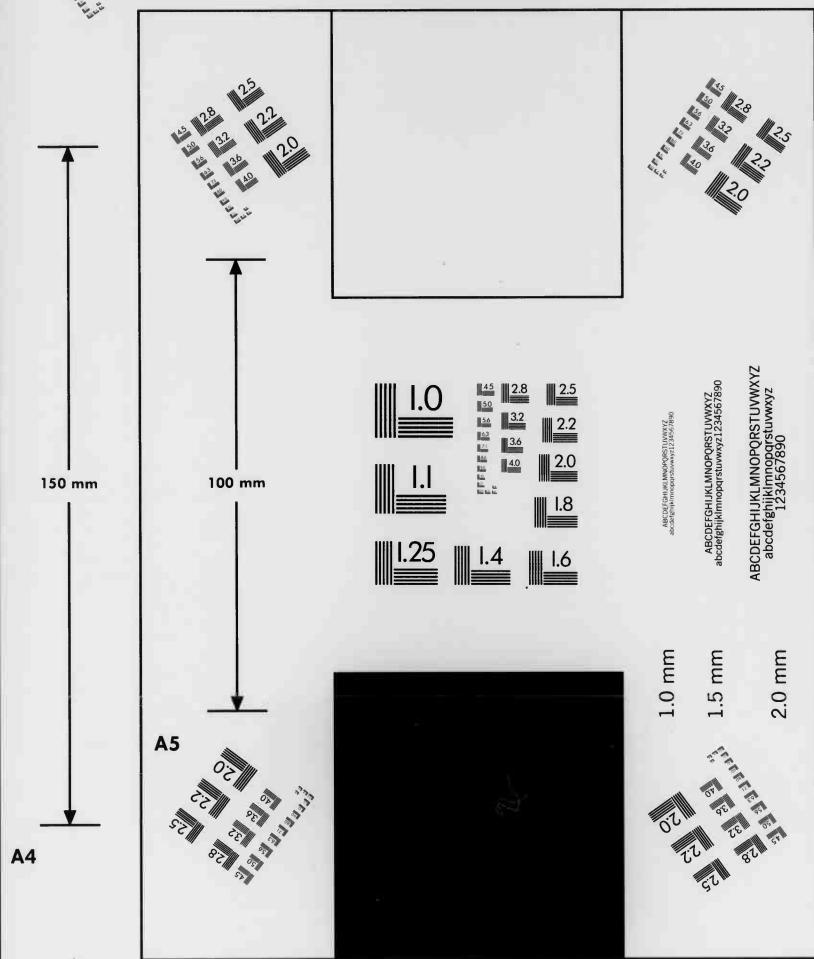
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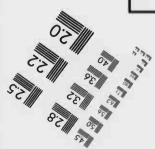
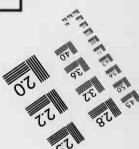
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P. 81

THE CHAMBERLAIN

ARGUMENT AGAINST ABOLISHING
OF THE OFFICE

By

Hon. WILLIAM S. EVANS

IN THE

ASSEMBLY OF THE STATE
OF NEW YORK

April 13, 1920

In the matter of Senate Bill Introductory 944, Printed numbers 1080-1543, introduced by Senator Bernard Downing, entitled "An act to amend the Greater New York Charter respecting the receipt, deposit and disbursement of public moneys and abolishing the office of Chamberlain."

4 May 1920 § 100

IN THE ASSEMBLY OF THE STATE OF NEW YORK.

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SPEECH OF HON. WILLIAM S. EVANS IN OPPOSITION TO THE BILL.

Mr. SPEAKER: This bill seems to be entitled an act to abolish the office of Chamberlain of The City of New York. I think it could also be properly entitled an act to commit sabotage on the government of the City of New York and throw a wrench into its financial machinery.

I think I shall explain what I mean by that to your complete satisfaction as I go along with the presentation of the viciousness of this bill.

There is no demand for this bill by the City of New York, by the citizens of the city, or by any public body in the city. The demand seems to come from the office of the Comptroller himself. During this entire legislative session he has been in Albany constantly. He and his secretary have been seen in the lobbies of these legislative halls day in and day out during the entire legislative session. It would seem, from the fact of their constant presence in Albany, that the City of New York could well dispense with the services of the Comptroller, rather than with the services of the Chamberlain.

The purpose and object of the Comptroller is not to save the city \$12,000 annually. That is an insignificant amount in view of the responsibilities cast upon the City Chamberlain. The object of this bill is to get more power into the hands of the Comptroller. There seems to be, on his part, a constant seeking for the power to run the whole city government—all by himself. The office of the Chamberlain is situated in the Municipal Building of the City of New York. There are in that office about 30 clerical employees, whose salaries total annually about \$50,000. There is in addition to that a Deputy Chamberlain at \$5,000 a year, and the Chamberlain at \$12,000 a year. The present bill does not

make a single change in the administration of that office. Not a piece of furniture is moved nor an employee changed. The only person sought to be removed is the responsible head of that office.

It seems to be conceded by the Comptroller that the office of City Chamberlain is to carry on the City's business, but that the head of that office should not be there; that instead of the City Chamberlain the Comptroller should be given the right to appoint a deputy to take the place of the City Chamberlain. We must presume that the deputy so designated to take charge of the office will receive some compensation, probably \$7,500 a year, so that the total saving, if any, will be \$4,500 a year.

That saving would be a distinct danger to the city. The Charter provides that the City Chamberlain shall be a member of the Banking Commission of the City of New York, which is composed of the Mayor, the Chamberlain and the Comptroller, a body of three, to designate depositaries for city moneys. The Comptroller wholly misunderstands the law, when he says, in his memorandum, that the Chamberlain designates the depositaries. The depositaries are designated by the Banking Commission of the City.

The present bill abolishing the office of the Chamberlain provides that the Banking Commission shall consist of the Mayor and the Comptroller. This is against the entire policy of the City Government. Whenever a Commission is appointed it is always a Commission of an odd number, so that a majority might be possible. If the present bill passes and the Mayor and Comptroller disagree upon where the City moneys are to be deposited there will not be any third party to decide it and the money will be deposited nowhere and will draw no interest.

The Banking Commission also fixes the rate of interest. If the Mayor and Comptroller disagree upon that question, no rate of interest could be fixed and the moneys of the city would remain in the city offices, drawing no interest and being deposited nowhere.

The Chamberlain is also a member of the Sinking Fund of the City of New York, which consists of the Mayor, President of the Board of Aldermen, Chairman of the Finance Committee of the Board of Aldermen, the Comptroller and the Chamberlain—a body of five men. This Commission is charged with the leas-

ing and selling of all city property, docks, markets space and other important functions of the city government. It is absolutely necessary that this Commission should consist of an odd number of members, in order to have a majority to do its business. By this measure the Chamberlain is removed from membership in that Commission, which will leave it a body of four men. If the Mayor and the President of the Board of Aldermen should take one side and the Comptroller and the Chairman of the Finance Committee of the Board should take the other side, there would be a deadlock and the city could neither lease or sell its property, nor its docks nor market space, and there would be complete stagnation of the financial business of the city.

It is to be noted that the Mayor and the Comptroller already disagree on every important measure that comes up in the city. Recently the Comptroller has discovered an ordinance of the Board of Aldermen, about one hundred years old, which prohibits any action of the Sinking Fund Commission unless the Comptroller is present. The Comptroller has constantly sabotaged this Commission. Whenever the Commission is considering any business against the wishes of the Comptroller, he promptly walks out of the meeting and thus stops the business. Mr. La Guardia, a Republican, a member of this Commission, has reprimanded the Comptroller for this. Certainly such action on the part of the Comptroller shows that he is not a fit officer to be entrusted by this Legislature with additional powers.

The office of Chamberlain is not a useless one. It is a very important office. The Chamberlain is the County Treasurer of the five counties comprising the City of New York. It has been the policy of the State to separate throughout the counties of the State the functions of the officer charged with the safe keeping of moneys and the officer charged with the collection of moneys. The Comptroller is the collecting officer of the city. The Chamberlain is the safe keeping officer of the city's money. Under the present City Charter all payments made by the city are upon vouchers signed by the Comptroller, the Mayor and the Chamberlain. Thus there is a double check upon the actions of any of these officers. The argument of the Comptroller that the Mayor already acts as a check upon the Comptroller's actions with regard to finances and that the Chamberlain's duties are unnecessary is true with a good many functions, but there is one important function in regard

to which this is not true and where the Chamberlain is absolutely necessary to guard the city's interests, and that is with respect to the power to borrow moneys for the city.

Under the present law the Comptroller has the right to borrow money on behalf of the city and to agree upon the rate of interest. In the exercise of that power he cannot be interfered with by the Mayor. The only person who must pass upon that is the City Chamberlain, and if the office of the City Chamberlain is abolished there will be absolutely no check on the powers of the Comptroller in that regard. That is a tremendous power to be given to any individual.

In the last year the City of New York borrowed from various banks the sum of \$377,000,000. If that right and power were placed in the hands of any one individual a private deal upon the question of interest would be entirely possible, and while I do not charge that the Comptroller of the City of New York would abuse his trust, no such temptation ought to be placed in the hands of any man, and upon that ground alone the Chamberlain is certainly worth and earns his \$12,000 a year.

The Comptroller of the city has charged in his memorandum submitted to the Legislature, dated April 3d, 1920, that the Chamberlain has interfered with his work in borrowing sums of money, in that the Chamberlain has refused to make deposits in banks where the Comptroller borrows money. That statement is made as a conclusion by the Comptroller. Not a single fact is given nor a single instance cited. I have information which warrants me in making the charge that that statement is wholly untrue. In the last year the principal source of borrowed money by the City of New York was from the Chase National Bank, the National City Bank, the Bankers Trust Company, the Liberty National Bank, the American Exchange National Bank, the Mechanics and Metals Bank, the First National Bank, the Public Bank, the Industrial Bank, the Equitable Trust Company, the Guaranty Trust Company, and the Chemical National Bank, as well as J. P. Morgan & Co. and Kuhn, Loeb and Co. The total amount borrowed from these various institutions was \$377,000,000 in the year 1919. Of this money about \$200,000,000 was borrowed from the Chase National Bank. The Banking Commission has made it a point to keep deposits in the Chase National Bank commensurate with the amount of money loaned by that

bank to the city, and the city has kept a deposit in each and every bank from which it has borrowed money approximately commensurate with the amount of money which that bank lends to the city.

The Banking Commission is, of course, now controlled by the Mayor and the City Chamberlain, and the Comptroller, being in the minority, is naturally overruled when he attempts to change the policy of the city to suit his own personal friendships.

The Comptroller, in his memorandum, has also charged interference with the payroll systems by the Chamberlain, and again he has not stated one single fact in regard to that, nor one single instance of such interference. From the information that I have, and which is authentic, I believe, I am warranted in making the statement that that charge is wholly untrue and deliberately untrue. I will cite to you one instance which shows the general conduct of the Comptroller in these matters.

The Coal and Iron National Bank, in which one of the City Paymasters carries an account for the purpose of paying city employees, and which bank cashes the checks of city employees, wrote to the Chamberlain and advised him of that fact, and asked for a deposit upon the ground that it was giving special consideration to the city in carrying the paymaster's account, which is, of course, of no value to the bank, because the account is deposited one day and the moneys paid out the next. Upon receipt of this letter from Mr. John T. Sproul, President of the Coal and Iron National Bank, the Chamberlain wrote to the Comptroller, on November 18, 1919, and asked him whether the Coal and Iron National Bank was rendering any special service to the city and whether it should receive the deposit of city money. He wrote as follows:

"Honorable CHARLES L. CRAIG,
Comptroller, City of New York:

"DEAR SIR—Enclosed please find letter received from John T. Sproul, President of the Coal and Iron National Bank, which will explain itself. The Chamberlain carries no account in the Coal and Iron National Bank. I have so informed Mr. Sproul, although I understand that the paymaster has an account there. I have written Mr.

Sproul to-day that his letter was being forwarded to you for whatever action you may see fit to take.

Very truly yours,

CHARLES SWEENEY,
Deputy Chamberlain."

Here was a distinct request by the City Chamberlain to the Comptroller to be informed whether, in his opinion, the Coal and Iron National Bank was worthy of receiving a city deposit. Gentlemen, from the day that letter was written until to-day the Comptroller has never replied. That seems to be his usual method of doing business with other city departments and his usual harmonious methods on behalf of the city. If there was any lack of co-operation in this case it was not on the part of the City Chamberlain, but on the part of the Comptroller.

I will cite another instance where the Comptroller has completely failed to pay any attention to the requests of other city departments. On the 3d of March, 1919, the City Chamberlain wrote to the Comptroller and advised him that there were in his office ten employees who were handling negotiable instruments, currency and Liberty bonds for the city, and that the city should be properly protected by placing them under bond. That letter is here and I have it before me. It is dated March 3d, 1919. In this instance the Deputy Comptroller replied to the letter on March 6th, as follows:

"Replying to your communication of the 3d instant, requesting that bonds be secured for ten employees in your office, will you kindly furnish a statement in detail showing the approximate amount of cash or negotiable securities under the control of each individual at any one time and the recommendation of the amount of bond which you believe would be necessary to protect the city.

Very truly yours,

LOUIS M. HAHLO,
Deputy Comptroller."

To that letter the City Chamberlain replied on March 8th, giving a detailed statement showing the approximate amount of cash and securities handled by these ten men. The Comptroller

did not pay the slightest attention to it. On November 1st, 1919, the City Chamberlain wrote to Mr. Craig as follows:

"On March 8th, 1919, I addressed an official letter to your department with reference to bonding some of the employees in this office, which letter has not been answered by you. I consider it my duty to call your attention to this matter.

Very truly yours,

PHILIP BEROLZHEIMER,
Chamberlain."

Not the slightest attention did the Comptroller pay to this letter. Finally, the Chamberlain had to procure bonds himself although the law casts that duty and burden upon the Comptroller, and he has had these men bonded, probably without making the city liable for the amounts of the bonds, but protecting the city, nevertheless, and making himself personally liable for the cost of the bonds. Certainly, if there is any lack of co-operation, it is upon the part of the Comptroller.

I want to call your attention to another very serious act of sabotage on the part of the Comptroller of the City of New York.

On the 15th day of October, 1919, the Comptroller drew five warrants upon the National City Bank for sums of money aggregating \$6,000,000. The numbers of the warrants were 17, 18, 19, 81 and 145, so that you may have the facts clearly before you. These were warrants drawn upon the Sinking Fund of the City. The Comptroller knew, or should have known, if he did not know, that there was not a single dollar of Sinking Fund moneys on deposit in the National City Bank. The Comptroller knew, or should have known, that the Commissioners of the Sinking Fund had designated and are authorized to designate the place where Sinking Fund moneys are to be deposited, and that the National City Bank was not one of them, and, by the way, the Sinking Fund Commission consists of five members and not of the Chamberlain alone, so that it was not the Chamberlain who made the direction with respect to the deposit of these moneys.

The Comptroller of the city has had a keen desire to see that the National City Bank had a deposit of Sinking Fund money,

and instead of trying to get the Sinking Fund Commission to designate the National City Bank he has adopted this method of sabotage which I shall presently disclose to you.

Knowing full well that the National City Bank had no such Sinking Fund moneys he, nevertheless, drew these warrants for \$6,000,000, hoping, perhaps, that when these warrants were presented to the City Chamberlain and the Mayor they would immediately make a deposit in the National City Bank against the orders and direction of the Sinking Fund Commission. If that was not an act of throwing a wrench in the machinery of the city finances, I do not know what is. When these warrants came over for the signature of the Mayor and the Chamberlain they did not return them to the office of the Comptroller, because they thought perhaps that the Comptroller had made a mistake and unknowingly had designated the National City Bank in the warrants, so they changed the name of the Bank on the warrant and inserted the Chase National Bank in the warrant, instead of the National City Bank, signed the warrants and returned them to the Comptroller, because it was the Chase National Bank that had these Sinking Fund moneys on deposit and the warrants should have been drawn upon that bank.

Now, I think I will present to you the evidence to show you that it was a deliberate act on the part of the Comptroller to sabotage the city's finances in drawing these warrants on the National City Bank. Instead of thanking the Chamberlain and the Mayor for correcting his grievous mistake, he made a charge against the Chamberlain amounting almost to forgery. On October 22d, 1919, he wrote a letter to the City Chamberlain, and I have the letter here, in which he says, as follows:

"I hand you herewith copy of an order this day made by me cancelling certain Sinking Fund warrants, altered in the Bureau of which you are the head, over the signature of Deputy and Acting Comptroller Philbin. New warrants of like tenor are being prepared and will come to you in due course. If it is necessary for me to take any steps to protect the public interests in these matters, I shall do so without any hesitation. The responsibility for any such action will rest upon you. If any more altera-

tions of this kind are made in your Bureau I shall remove whatever employees are responsible for this.

Yours very truly,

CHARLES L. CRAIG,
Comptroller."

Now, gentlemen, this letter of the Comptroller clearly shows that he was trying to blackjack the Sinking Fund Commission into making deposits of its funds in the National City Bank, instead of the places which had been designated. It was not a mere act of ignorance of the city's affairs, but an act of deliberate sabotage.

There is not the slightest doubt, and there will not be, in your minds after you hear this, that the Comptroller knew precisely what he was doing, because the Mayor, on the 23d of October, 1919, wrote him as follows:

"Hon. CHARLES L. CRAIG,
Comptroller:

"DEAR SIR—I hereby return without my signature
Sinking Fund warrants, as follows:

No. 20.....	\$250,000 00
No. 21.....	350,000 00
No. 22.....	350,000 00
No. 104.....	5,000,000 00
No. 48.....	150,000 00

—which were transmitted by your office to me for my signature. These warrants are drawn on the Chamberlain at the National City Bank of New York, but if the Chamberlain followed the resolution of the Sinking Fund, adopted at a recent meeting, there can be no moneys of the Sinking Fund Commission now on deposit in the National City Bank. The Chamberlain was expressly requested by the Sinking Fund Commission to keep the Sinking Fund Commission's moneys on deposit in the Chase National Bank, and you have had ample and formal notice of this. Furthermore, the Chamberlain reports to me that he has obeyed the direction of the Sinking Fund Commission by keeping these moneys on deposit in the

Chase National Bank. At your request the Chamberlain now keeps some surplus city treasury money, not Sinking Fund moneys, on deposit in the National City Bank, but even this, as you must know, is insufficient for \$4,500,000 to meet the drafts you have asked me to sign, irrespective of what the particular account might be.

Very truly yours,

JOHN F. HYLAN,
Mayor."

Now, gentlemen, these are the methods which seem to be in vogue by the Comptroller of the city to impress his own will upon the majority of the members of the Sinking Fund Commission and upon the majority of the members of the Banking Commission. He will not abide by the rule of the majority, and now comes to the Legislature to be made the autocrat of the city's finances regardless of whether it is for the good of the city or not, and because he is ever grasping, ever seeking additional powers personally.

The Comptroller, realizing on the day that he had drawn these warrants for \$6,000,000 that he had committed a great wrong, kept his office staff busy working all night to correct that situation; that so, if the Comptroller's memorandum was truthful, he should have said that the impending deficit caused in the city's treasury and the loss of credit to the city was due to his own desire to draw moneys from banks that did not have the moneys on deposit.

The Charter has for many years wisely separated the duties of the city's financial agents, so that the Comptroller as auditor and the Chamberlain as treasurer might be each a check upon the other in the borrowing of money for the city's use and in the paying out of the city's money.

Mr. Berolzheimer, the present City Chamberlain, has conducted his office in the interest of the city and of the taxpayers in spite of every handicap that could be devised by Mr. Craig.

A year ago Mr. Berolzheimer urged Mr. Craig to arrange for the sale of long term city bonds, but Mr. Craig, being ignorant of financial conditions, resented and rejected the suggestion, as I am informed and believe. The present high interest rates show that the Chamberlain was right and that the Comptroller was

wrong, and apparently the Comptroller has never forgiven the Chamberlain for this and now seeks to abolish his office as a matter of personal revenge.

The most important function of the City Chamberlain, in addition to being valuable as an official emergency brake upon the doings of a comptroller who may be dishonest, is to safely keep the city's cash and see that it gets the best possible interest rates. No one can question that the cash is safely kept, and the fact that the city's bank balances to-day yield the highest rate of interest the city have ever gotten show that Mr. Berolzheimer knows his business and his duties and performs them well. The deposits of the Federal Government, immensely greater in amount, earn only 2 per cent. The deposits of the City Government on an average earn between 2.75 per cent. and 3 per cent.

The trouble with the Comptroller, as I am informed, is that he is possessed with the idea that the entire City Government should be run from his office, including the schools, the transit situation and the various borough president offices. The framers of the City Charter wisely tried to guard against such an usurpation of power by any one city official and set up safeguards and checks against official autocracy and dishonesty. These safeguards are the result of many years of experience, running back to the days of Tweed. I do not believe that the Legislature should discard this protective feature of the City Charter any more than they ought to pass the grab bills that the Comptroller has caused to be introduced increasing his power over education and other municipal functions.

The progress of this bill through the Senate and its manner of acceleration have left a trail that is not creditable to its sponsors and manipulators. About two weeks ago this bill was on a hearing before the Senate Cities Committee. On the same day the rent bills had their hearing and the Cities Committee necessarily had to adjourn its hearing upon this bill. Mr. Mayer, of the Corporation Counsel's office, representing the city, was ready to appear before the Senate Cities Committee to oppose the bill, but the hearing had been adjourned owing to the rent bills, and no definite time had been set. Mr. Mayer therefore went back to his hotel, believing that no hearing would be held upon the bill that day. Unknown to Mr. Mayer, the bill was scheduled for a hearing at 8.30 o'clock that night, without notice to Mr.

Mayer, although the Comptroller's representative had been directed to give Mr. Mayer notice of that hearing. At 8.30 o'clock or about that time, the hearing was finished. Mr. Mayer heard of it and immediately repaired to the Senate Cities Committee, but by the time he got there the bill had been reported out. When he returned to the hotel that night he found the notice of the hearing, which the Comptroller's representative was directed to give him before the hearing.

Such methods are not in harmony with honesty and fairness and common legislative courtesy. Such methods show that the sponsors of the bill are afraid of a fair and impartial hearing upon the measure. Had such a hearing been held in the Senate Committee this bill would never have been reported.

The personality of Philip Berolzheimer, the present City Chamberlain, is of no great consequence just now, but it is, nevertheless, a great wrong that a worthy citizen, who has accepted a post of public service as a public duty, at a great personal sacrifice, bringing with him a long and honorable record of service in the fields of commerce, finance and philanthropy, should be abused as this man has been by the legislative agents and newspaper dupes of a political autocrat.

The Comptroller, with all the vast resources of the finance department of New York, has searched high and low for dirt to throw at this man's good name. He found nothing that suited his uncharitable purpose. Business men and bankers alike have nothing but the highest commendations for Philip Berolzheimer. In the low places he found only stories of suffering humanity helped by the great and never ending charities of this modest, great hearted philanthropist.

Notwithstanding Philip Berolzheimer's charitable interest, competent public service, he is to be officially butchered to clear the road for the political ambitions of a political Nero.

Mr. Craig wants to be the Czar of New York. He will trade readily with any party or any faction, and betray all with equal readiness and lack of scruple.

Gentlemen, to be consistent, if you abolish this office you might as well abolish the office of County Treasurer in every county of the State, and if that is the kind of a public policy you want to formulate for the State of New York, well and good, but I do not believe you want any such policy adopted for the

State. If you do not want such a policy as that for the State there is not the slightest reason in the world for imposing such a policy upon the City of New York.

I hope, gentlemen, that you will not pass this bill, but will defeat it by an overwhelming vote, and show to the people of the City of New York that you want its affairs managed by its duly designated boards, by majority rule, and not by any political bolsheviki, who believes in his own rule and the rule of the minority against the established legal majority of the Sinking Fund Commission and the Banking Commission of the City of New York.



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